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Additional Funding Available for 7(a) and 504 Recovery Act Loans

On December 19, 2009, the President signed the Department of Defense Appropriations Act, 2010 (P. L. 111-118). This legislation provides an additional \$125 million to support approximately \$4.5 billion in new 7(a) and 504 loans under Sections 501 and 502 of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). NOTE: The appropriation extension is applicable to loan guaranty requests through **February 28, 2010, or earlier if funds are exhausted.**

As soon as the additional funds appropriated in the recent legislation are ready to be released, all "conditionally approved" requests in the 7(a) and 504 Recovery Loan Queues will be funded, along with new loan requests, in the order they are received, until the new funds are exhausted. Once all of the requests in the Recovery Loan Queues are funded, the 7(a) and 504 queue web pages will be temporarily removed because there will not be a need to place any applications into a queue to await funding. SBA will reactivate the queues, as necessary, as funds are close to being exhausted. The Recovery Loan Queue homepage will remain on the website and in the "green" phase as long as funding remains readily available.

Fee Refunds and Loan Cancellations

SBA will refund to lenders eligible fees on those non-Recovery Act loans approved on or after December 19, 2009 that would have been eligible for fee relief. If borrowers have already paid lenders for the fee on eligible loans, lenders must reimburse the borrowers from the SBA refund and retain documentation in their loan files to prove they have done so.

There will be no fee refunds or higher guarantees for loans approved as non-Recovery Act loans prior to December 19, 2009.

In addition, SBA will not allow loans that were approved prior to December 19, 2009 to be cancelled and then resubmitted as new Recovery Act loans unless the resubmitted loan is not a replacement for the original loan, as determined by SBA on a case by case basis. Cancellation and resubmission of the same loan would use the limited appropriations made available under the Recovery Act to provide fee relief and/or an increased guaranty on loans already approved without the need for the provisions of the Recovery Act and would be contrary to the intent of the new funding, which is to stimulate new lending.

[\(continued on Page 2\)](#)

The Base Rates for the month of January 2010 are:

Wall Street Journal Prime Rate:	3.25%
SBA Peg Rate:	3.75%
LIBOR (1 month) + 3%:	3.23%

Additional Funding (continued from Page 1)

SBA will consider on a case-by-case basis the submission of a loan that the lender can demonstrate is not a replacement for the original loan. Requests for such consideration must be submitted by the 7(a) lender to the Standard 7(a) Loan Guaranty Processing Center in Citrus Heights, California, and by the CDC to the Sacramento 504 Loan Processing Center. The request will be reviewed and a recommendation will be forwarded to the Director/Office of Financial Assistance for approval. Provisions for this consideration and the general cancellation policy were set out in SBA Policy Notice 5000-1103, effective April 10, 2009 (which can found at http://www.sba.gov/aboutsba/sbaprograms/elending/notices/BANK_FY_09_NOTICES.html).

Extension of the Higher Guaranty on 7(a) Loans

The Department of Defense Appropriations Act also extended the higher guaranty for 7(a) loans available under section 502 of the Recovery Act to **February 28, 2010**. Because of this extension, new 7(a) loan applications with the higher guaranty may be approved by SBA through **February 28, 2010 or such earlier date as funds are exhausted**.

Continuing Requirements

As a reminder, all Recovery Act requirements continue to apply to new Recovery Act loans. This includes the requirement to document the loan file to show compliance with the particular eligibility requirements for Recovery Act loans. SBA Information Notice 5000-1134, issued December 9, 2009, reminds 7(a) lenders and CDCs of the specific documentation requirements for certifications concerning the borrower's hiring practices and that no Recovery Act loan funds go towards financing restricted uses (swimming pools, golf courses, zoos, aquariums and casinos or other gambling establishments). Lenders and CDCs are also reminded of the requirements governing the reporting of jobs created and retained.

Questions? Contact Tom or Emma for assistance.

Optional Peg Rate and Maximum 504 Third Party Interest Rate

The optional peg rate for fluctuating interest rates on guaranty loans is 3 3/4 percent (3.750%) for the January - March quarter of FY 2010.

Pursuant to 13 CFR 120.921(b), the maximum legal interest rate for any third party lender's commercial loan which funds any portion of the cost of a 504 project (see 13 CFR 120.801) shall be 6% over the New York Prime rate or, if that exceeds the maximum interest rate permitted by the constitution or laws of a given State, the maximum interest rate will be the rate permitted by the constitution or laws of the given State.

2010 Final Due Dates for 1502 Reports

January 6	April 7	July 7	October 6
February 5	May 5	August 5	November 5
March 5	June 7	September 8	December 7

Updated Unilateral Authority Matrix

The Unilateral Authority Matrix for Lender's Servicing and Liquidation Actions has been updated as of November 12, 2009. The document can be found at the bottom of the Forms Library in the Commercial Servicing Centers webpage at www.sba.gov/aboutsba/sbaprograms/elending/clc/forms/index.html.

7(a) lenders should use their unilateral authority in order to expeditiously address the needs of small businesses in these difficult times. This unilateral authority allows, among other things, deferments and loan restructuring where appropriate to keep a small business in operation.

It is also important that lenders notify SBA with respect to unilateral actions identified in the matrix as requiring SBA *notification*. Such notification is necessary to update SBA's loan database and to maintain accurate records for loans that will be sold in the secondary market.

If you have any questions, please contact Tom or Emma.

SBA Lender Portal Update

In order to increase transparency, the Small Business Administration's (SBA's) Office of Credit Risk Management is adding loan level credit quality data to its Lender Portal. Starting with the June 30th, 2009 quarterly update, the Lender Portal will now include for each 7(a) lender and 504 Certified Development Company (CDC), or ("SBA Lenders"), a list of all the lender's outstanding loans. The loans will be separated into high, medium, and low risk categories. The category a loan is placed in is based on the Small Business Portfolio Solutions (SBPS) credit score a loan receives. Each risk category – high, medium and low- contains a range of credit scores consistent with that level of risk. This information will assist SBA Lenders to proactively monitor, manage, and mitigate the risk in their SBA loan portfolios.

A 7(a) lender or CDC is eligible for Lender Portal access provided they have at least one 7(a) or 504 loan outstanding (disbursed but not purchased or paid-in-full). Lending partners may request access to the system by following the application procedures outlined in the Lender Portal log-in page: <https://pdp.dnb.com/pdpsba/pdplogin.asp>. Only one access per SBA Lender is granted.

pay.gov Information

Effective immediately, all Lenders using pay.gov are now able to remit payments through pay.gov using a "General Ledger" (G/L) account. When using a G/L account for payment, your account number must be all numeric. The account will be debited and processed through the Automated Clearing House (ACH).

Lenders are reminded that the use of pay.gov is required per SBA Information Notice 2000-773 for the following types of payments to the SBA: Form 172 "Transaction Report on Loan Serviced by Lender"; and Form 1544: Guarantee Fee (the upfront fee only); Care & Preservation of Collateral (CPC) Expenses; Review Fee (invoice information required).

Lenders currently enrolled with the SBA for bulk ACH electronic payment processing may continue to use that method for Guaranty Fees only. The pay.gov website can be accessed at: <https://www.pay.gov>.

Pay.gov web site questions can be directed to the Pay.gov Help Desk at 800-624-1373, Option #2.

Recovery Act Loan Documentation

SBA has issued information Notice 5000-1134 that outlines the documentation requirements for Recovery Act Loans. The notice outlines specific areas including:

- Borrower certification of hiring practices
- Reimbursement of Borrower Fees for 7(a) and 504 Loan Guarantees
- Allowable Uses of Recovery Act Funds

To view the notice in its entirety visit:

www.sba.gov/aboutsba/sbaprograms/elending/notices/BANK_FY_10_NOTICES.html

Top 10 Problems for 7(a) Lenders

As revealed in a recent Coleman Report, the top 10 problems for 7(a) lenders include:

Lender Portfolio Issues

- 1502 Reporting
- Poor performance regarding the past 12 month actual purchase rate

Loan Issues

- Credit not available elsewhere
- Personal resources test
- Verification of equity injection when required
- Meeting all Loan Authorization requirements
- IRS transcripts
- Analysis of equity/capitalization
- Collateral valuations
- Obtaining current financial statements/assessment of borrower's current creditworthiness

WV Top SBA Lenders – FY 2010

As of December 31, 2009

	Lender Name	\$ Amount	Loans
1	Main Street Bank	\$1,234,700	18
2	JP Morgan Chase	\$393,800	6
3	BB&T	\$2,285,000	5
4	Huntington Bank	\$144,500	5
5	Community Trust Bank, Inc.	\$491,000	4
6	The Citizens Savings Bank	\$1,100,000	3
7	Superior Financial Group, LLC	\$27,500	3
8	OVIBDC CDC, Inc.	\$3,316,000	2
9	Excel National Bank	\$912,000	2
10	West Union Bank	\$759,900	2
11	MVB Bank, Inc.	\$242,000	2
12	SunTrust Bank	\$70,000	2
13	First State Bank	\$57,000	2